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SOURCE Zycie Gospodarcze (Economic Life), No 13-14, 1949.

NEW BASE-PRICE SYSTEM
TO MEASURE PRODUCTION

The simplest and most accurate measure of the quantity of production in an industrial establishment is the physical unit appropriate to each product (meter, kilogram, unit, etc.). However, while these quantitative measures are valuable, they are not suitable for measuring aggregates of production. Hence, the need arises for applying quantitative measures of value.

Prices are the best measure of value and make it possible to summarize heterogeneous production. For determining expenditures on production, internal cost prices are applied; for measuring aggregate production, current sales prices are used. Unfortunately, current sales prices are subject to fluctuation and distort the measurement of changes in production. Thus there are used, in addition to current prices, both in planning and reporting, so-called base prices whereby the effects of price fluctuation are removed.

The year 1937 was chosen for working out base prices in Poland because price and statistical data are most abundant for that period.

It must be pointed out, nevertheless, that the base prices now applied to industry have certain defects. There is no uniformity in the way the prices have been worked out by the various central industrial administrations. Some central administrations, like the textile industry and electrotechnical industry, have carefully worked out price data for individual items, but others, like the metallurgical and chemical industries, have only aggregative price data.

Products of the same type and identical quality produced in various plants under the central administrations are priced differently. Value of production based on individual firm prices does not indicate the true dynamics of production.

Prices taken for some products are too high, i.e., coal, metallurgical products, etc., which renders comparisons difficult between branches of industry.

Furthermore, the base prices specified for certain products have themselves been changed over periods of time, even in the course of a year, thus destroying the characteristic feature of base prices.

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According to the decree of 15 March 1949, the Economic Committee of the Council of Ministers assigned to the State Economic Planning Commission the task of working out and publishing a catalogue of base prices by 15 May 1949. The decree indicated the guiding principles to be applied in working out the base prices.

As a starting point, the base prices applied in industry during 1948 were taken, which in turn were computed from averages of actual selling prices in 1937 obtained by wholesale producers, exclusive of excise taxes, FOB factory or FCB shipping point (origin).

For products of identical type and quality, a uniform base price was established for all central administrations, regardless of variations in production cost. Thus, uniform prices were designated for about 450 items, including electric power, bricks, etc.

Prices for certain products were corrected. For example, for coal of all qualities, an average price was taken of 14 zlotys a ton. Metallurgical products, except those used exclusively by PKP (Polish State Railways), were reduced by 15 percent.

All these prices are contained in the Katalog Cen Wiezmiennych (Catalogue of Base Prices) published by the PKRG (Panstwowa Komisja Planowania Gospodarczego, State Economic Planning Commission). The first part comprises industrial products; the second part gives prices for products of agriculture, forestry, construction, transportation and communications services, and community services.

The catalogue of industrial prices is, in principle, a register of prices applied to state industry.

It must be pointed out that the work on base prices is not final. Undoubtedly, a supplement to the catalogue will appear soon. The supplement will give prices for local industry (state-owned), for new products, and corrections of old prices. All the supplements must be worked out before the final revision of the Six-Year Plan.

Every correction in prices must be confirmed by the appropriate Ministry and approved by the Industrial Division of the State Economic Planning Commission.

Prices for products not produced up to now should be calculated on the basis of cost of manufacture for a group of products most nearly comparable technologically.

The prices given in the catalogue, to be "invariable," must be strictly adhered to, even though they may have been figured too closely in some instances. Their primary purpose is to measure changes in production, and any variations would destroy comparability of data. Observance of these prices is the responsibility of all organizational members of industry up to and including the ministries.

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